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PROGRAMME PLANNING: COUNTRY AND INTERCOUNTRY PROGRAMMES AND PROJECTS

FOURTH COUNTRY PROGRAMME FOR THE CZECH AND SLOVAK FEDERAL REPUBLIC

Programme period	Actual resources programmed	Thousands of dollars
1992-1996	Net IPF	2 402
	Cost-sharing (programme and project)	10 000
	Total	12 402

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I. DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES

A. Socio-economic situation

1. The Czech and Slovak Federal Republic is a country of 127,900 sq km and 15.7 million people (10.4 million in the Czech Republic and 5.3 million in the Slovak Republic), growing at an annual rate of 1.6 per cent in 1990. The life expectancy at birth of men is 67.25 years, of women 75.81 years. The gross national product (GNP) per capita is currently estimated at $2,200.

2. As a result of the political changes since 1989, the country faces a serious challenge. The system of administrative command management caused deep disequilibria in the national economy. At the same time, the Czechoslovak economy possesses a considerable potential, particularly in its industry, which is however in need of structural change and modernization.

3. To achieve this aim, in its transition to a market economy it needs to bring about a complete transformation of the country's economic system and its established development strategy. It has responded to this challenge with the introduction of wide-ranging economic reforms designed to allow Czechoslovakia to capitalize on its highly skilled labour force and recover the industrial dynamism of the past.

4. The economic development of the country in 1991 was governed by the transformation processes taking place under the conditions caused by the unbalanced development of the past, resulting in some adverse internal effects (economic dislocations, acceleration of inflation, unemployment, decline in production) and external ones (dislocation of the economic relations with Poland, Hungary and Germany, the Gulf crisis, disintegration of the trading system, and the demise of the Soviet Union).

5. As a result in 1991, the initial phase of the ownership transformation was accompanied by a considerable economic decline, aggravating financial conditions of enterprises, and adverse social impacts. By using restrictive policies, it was possible to cope with the inflation which followed the liberalization of prices, maintain the stability of the exchange rate of the Czechoslovak crown, achieve an active balance of trade and improve the foreign currency position of the country.

6. The latest economic data give grounds for concern over the next year. The decline in economic activity recorded in 1990 (the GNP decreased by 0.4 per cent) has persisted into 1991. The gross domestic product (GDP) is estimated to decline in 1991 by 16.4 per cent and the supposed overall volume of industry in December 1991 was 23.1 per cent below that of December 1990. By the end of 1991 the total number of unemployed had risen to 523,000, representing 6.7 per cent of the total labour force. The overall increase in the consumer price level between December 1990 and December 1991 is expected to reach 57.9 per cent (the biggest rise was recorded for non-foodstuff goods - 67.7 per cent, the prices for foodstuffs having increased by

36.1 per cent). Unemployment can unfortunately be expected to rise in 1992, with serious social and human consequences.

7. Human development indicators place the country twenty-seventh in 1991; it must be remembered, however, that this ranking is based on 1985 official figures, which may have changed significantly in one direction or the other since that time. It is however clear that (a) educational attainments were and remain high; (b) life expectancy rates, though high, are known to have been adversely affected over the last decade by factors such as the polluted environment, stress factors and unhealthy nutrition; (c) GNP indicators need to be thoroughly revised; (d) gender disparity remains modest (the difference between the overall human development index and its gender-sensitive counterpart is 9.9 per cent, fourth lowest among the countries analysed in UNDP's Human Development Report 1991), but it is a factor to be monitored in the future, as the social provisions of the former system are modified.

B. National development objectives and strategies

8. The development goal at this time is to regain its earlier position among the advanced European nations (with the expectation of joining the European Economic Community (EEC)) where it has always belonged by its geography and its civilization as well as by its spiritual values; and to this end, to transform its present economy, now seen to be wasteful and not sufficiently flexible, into a normally functioning market system.

9. The Government's economic reform proposals were summarized in "The Economic Reform Scenario" adopted by Parliament in October 1990. This programme emphasizes the need for a radical transformation of the economy and the introduction of a market-based economic system taking into account the need for environmental improvement at the earliest possible date. In addition to an anti-inflationary economic stabilization policy, including control of indebtedness, it contains a comprehensive set of structural reform proposals. These include measures to liberalize prices and imports, alter ownership and management patterns at the enterprise level, bring about the "internal" convertibility of the Czechoslovak crown (KCS), promote private sector activities and adequately finance a social safety net.

10. These reforms are to be accompanied by a regime of tight macroeconomic control to ensure the maintenance of economic stability; the Government is firmly committed to curbing any inflationary pressures, which could seriously jeopardize the economic reform programme.

11. While it is extremely difficult to predict the development of the Czechoslovak economy during the transition period in the years to come, in general it appears likely that the adjustment of the economy to market conditions will result in an initial decline of industrial output and real GDP as all inefficient and uncompetitive production is weeded out. In the second stage of the transition to a market economy, which may start in the second half of 1992 or in 1993, the positive effects of the more efficient new or

restructured production facilities should prevail, and a new period of economic growth commence.

II. EXTERNAL COOPERATION

A. Role of external cooperation

12. The external cooperation and assistance of the international community in the transition period to a market economy is welcomed as a complementary tool to the national efforts and development priorities in this process.

13. The main external resources of technical assistance are: the EEC through the Phare programme, Denmark, Finland, France, Germany, the Netherlands, Norway, Switzerland, the United Kingdom and the United States of America.

14. The largest programme of technical cooperation - Phare - concentrated its 1990 grant funds amounting to 34 million ECU 1/ to environmental projects (30 million ECU) and the TEMPUS programme (4 million ECU). The 1991 Phare programme allocated 100 million ECU to: assistance to the restructuring of the economy and privatizations (20 million ECU), support to small- and medium-scale enterprises (20 million ECU), support to labour market restructuring (15 million ECU), environment and energy (10 million ECU), telecommunications development (6 million ECU), TEMPUS interuniversity programme (9 million ECU), and general technical assistance (20 million ECU). In 1992 the CSFR is expected to receive another 100 million ECU within the Phare programme.

B. Aid coordination arrangements

15. Technical and financial assistance provided by the Group of 24 (Organization for Economic Cooperation and Development (OECD)), including the Phare programme, is coordinated by a Council for International Technical Cooperation and Assistance, headed by the Federal Minister of the Economy. The Council, established in December 1991, is an advisory body of the Federal Government and is composed of representatives of the Federal Ministry of Foreign Affairs, the Federal Ministry of Finance, the Federal Ministry of Economy and tne Czech and Slovak national Governments. The Council is responsible for coordination of bilateral and multilateral assistance in order to eliminate its dispersion and overlapping. A Bureau for the Coordination of Foreign Assistance as the Secretariat of the Council was created at the Federal Ministry of Economy.

16. United Nations assistance, including that of UNDP, is coordinated by the Department of International Economic Cooperation of the Federal Ministry of Foreign Affairs.

III. THE COUNTRY PROGRAMME

A. Assessment of ongoing country programme

17. An indicative planning figure (IPF) allocation was requested for the fourth cycle only in 1990, after the IPF status had been relinquished at the end of the third cycle. Thus, since fourth cycle activities started in practice less than a year ago, it is too early to make any assessment of their effectiveness. Eight hundred thousand dollars of the fourth cycle IPF is being carried over into the fifth cycle.

B. Proposals for UNDP cooperation

1. Preparatory process

18. Czechoslovakia had voluntarily relinquished its IPF status at the end of the third cycle. Following the political changes that took place at the end of 1989, the Government reapplied to UNDP for IPF status for the fourth and fifth cycles, expressly wishing to do so under net contributor country arrangements; this was approved by the Governing Council at its thirty-seventh session (1990).

19. The fourth cycle IPF funds thus made available were used for the most immediate needs, while the Government and UNDP embarked on the programming process. A UNDP high-level programming mission headed by the Regional Director visited the country in March 1990, followed by a visit by the Administrator in May 1990. After that, short-term consultants were fielded with a view to addressing urgent needs for management training and support. Also fielded were UNDP/MDP (Management Development Programme) missions on environmental management and on telecommunications development, both in June 1990, followed by a follow-up mission for programme identification in November 1990. A number of sectoral missions, on environmental management, telecommunications development and entrepreneurship development followed.

20. A subregional meeting held in Geneva in April 1991 assisted in finalizing the overall strategy developed with the other European countries in transition; the resulting strategy paper was presented to the Governing Council in June 1991.

21. UNDP presented its advisory note to the Government in November 1991; a mission followed in early December 1991, at which time the inputs received from the agencies were jointly reviewed, the Government expressed its reaction to the note, and the major lines of the country programme were discussed.

2. Strategy for UNDP cooperation

22. UNDP's mandate is human development, through developing national capacity and self-reliance, developing human resources, and building partnerships. The country supports this mandate to the utmost and wishes to use UNDP's accumulated experience in this field. In particular, the Government appreciates certain aspects of UNDP: its political and sectoral objectivity, its multi-sectoral and multidisciplinary approach, its global experience and access to know-how, and its wide experience in assisting Governments to coordinate external cooperation.

23. In line with UNDP's primary mandate towards least developed countries, UNDP's core resources for the Czech and Slovak Federal Republic, never large, have been reduced by 11 per cent since the fourth IPF cycle - and by 48 per cent since the first cycle. In order to build up a meaningful programme in this period of special needs for the country, UNDP should therefore explore, together with the Government, other possibilities for mobilizing resources.

24. This country programme assumes that an addition to the IPF of up to $10 million in co-financing will be delivered under this programme. Possible instruments are: country-wide or special-purpose trust funds; donor cost-sharing for projects, for thematic activities or at the country programme level; additional parallel financing arrangements. The Government of the Czech and Slovak Federal Republic and UNDP will actively pursue such arrangements, in concert with one another, within the framework of the Government's aid coordination mechanisms. The Government will, at the same time, strengthen its cooperation with developing countries.

3. Proposed UNDP cooperation in selected areas of concentration

25. The Government and UNDP have agreed on six major thematic areas, on which UNDP cooperation should concentrate during the next cycle. These areas will be more fully described in the following section, and are, in order of relative importance:

(a) Restructuring of the economy and support to the private sector. The emphasis here should be on transfer of know-how to key sectors of the economy or to key locations where restructuring and modernization are needed; and promotion of the creation of small and medium-sized enterprises. Proposals have already been received regarding investment promotion activities and support to the creation of new marketing structures in a key sector (the metallurgical industry);

(b) Management development, training and human resources development. Human resources development, the improvement of management capabilities, the development of management and consulting centres by transfer of ideas, know-how and skills; and the development of human resources management and

education programmes are crucial factors of the transition period. Several project proposals in this area are under consideration;

(c) Environmental management. Attention should be concentrated on management, data collection and the establishment of an effective monitoring system related to the information system; always with links to neighbouring countries and to other major initiatives in this field, such as the the Global Environment Facility (GEF)'s Danube project. A project on environmental management and information systems is under preparatory consideration;

(d) Telecommunications development. UNDP's role in this crucial sector could be to strengthen the management capabilities of the Government agencies that deal with this sector under new conditions of profitability and privatization. A project with these objectives, linking with other donors' activities, has already been formulated and will provide the backbone of UNDP's assistance to this sector in the fourth programme period;

(e) National statistics. It is requested that assistance in this area should concentrate on strengthening national statistical data collection and analysis in the areas of SNA, private sector and human development, and gender disaggregation. A project on SNA and private sector statistics has already been formulated; other activities could follow later;

(f) Umbrella activities. The emphasis should be on flexible support activities to priority sectors. The existing TOKTEN (Transfer of Knowledge through Expatriate Nationals) will be expanded during the next few years; a possible combination of this project with other types of cost-effective consultancies (United Nations International Short-Term Advisory Resources (UNISTAR), United Nations Volunteers (UNV), etc.) is under consideration.

26. In addition, about 10 per cent of the IPF resources should be left unprogrammed, to provide a flexible reserve to be used for programme development, coordination, management and resources mobilization.

27. Within each sector, it is agreed that the following criteria should be systematically applied when examining project proposals for UNDP funding:

(a) Impact on human development;

(b) Impact on national capacity-building;

(c) Consistency with the country programme's priority themes;

(d) Key role for the project in its area, or constructive complementarity to other key technical assistance activities in the same area;

(e) Potential for a catalyst role in drawing additional financing from multilateral or bilateral partners;

(f) Carefully reasoned project design, with logical progression from objectives through activities to cost-efficient inputs;

(g) Correct placement of the project within the federal and/or national institutional framework, and clear support by the host institution and related authorities;

(h) Synergy between country and intercountry activities.

C. Assistance outside the main country programme areas

28. No assistance is specifically foreseen outside the main country programme areas.

D. Implementation and management arrangements

29. Programme approach. The Government wishes to focus UNDP assistance to sectors of major importance to the country and of particular relevance to UNDP's mandate and expertise; it reaffirms that all project proposals should be integrated into the Government's programme for those sectors, in particular, its strategy for integrating external cooperation. Continuous communication and coordination within the appropriate government and national agencies will be crucial to achieve this, and will require particular care at the project formulation, appraisal and approval stage. The national institutions will focus on formulating and managing coherent programmes, coordinating external assistance and mobilizing the necessary funds; UNDP is requested to keep in close and direct communication.

30. National execution is particularly welcomed by the Government as a reaffirmation of national ownership of the programme, of the national capacity to implement this modality, of the Government's commitment to the aims and activities of this modality and UNDP's mandate of strengthening local capacity. Execution arrangements will be examined on a case-by-case basis at the time of project formulation. Specific training will be provided, if necessary, for the Czech and Slovak personnel involved in managing nationally executed projects.

31. It is expected that a substantial portion of the country programme's activities will be nationally executed.

32. Co-financing will be sought jointly by the Government and UNDP. It is envisaged to aim at joint formulation missions with donors on mutually agreed priority themes; joint (Government/UNDP) approaches to donors; ongoing discussions with donors; local cost-sharing agreements with national implementing agencies. The Government and UNDP will act in full mutual consultation case by case.

33. Programme management. Cost-effectiveness will be kept in mind. Projects will pay close attention to inputs, particularly the use of consultants: national, TOKTEN and UNISTAR mechanisms will be used whenever possible, and integrated into coherent and well-designed projects.

34. There is no UNDP office in the country. The Department for International Economic Cooperation at the Federal Ministry of Foreign Affairs will manage the programme in consultation with UNDP headquarters. Coordination and mutual information exchange with other ministries, especially the focal points coordinating OECD and EEC cooperation, and with all relevant United Nations agencies, will be emphasized. UNDP is expected to undertake programme monitoring visits approximately twice a year. Evaluations of individual programmes and projects will be carried out jointly, as required.

35. The programme will undergo a joint review at its mid-point, i.e., in the course of 1994, according to UNDP rules and procedures. At that time, results will be analysed, priorities re-evaluated and the thrust of the country programme reaffirmed or modified.

Notes

1/ The value of the European Currency Unit (ECU) fluctuated in 1990/1991; its average value during that time was 0.8 ECU = $1.

Annex I

FINANCIAL SUMMARY

I. ESTIMATED RESOURCES (IPF + cost-sharing) TAKEN INTO ACCOUNT FOR PROGRAMMING

	(Thousands of dollars)	
Carry-over from fourth cycle IPF	800	
Fifth cycle IPF	1 602	
Subtotal IPF		2 402
Project cost-sharing (Government)	-	
Project cost-sharing (third party)	-	
Programme cost-sharing	-	
Subtotal cost-sharing		-
TOTAL		2 402

II. ALLOCATION OF RESOURCES (IPF + cost-sharing) BY AREA OF CONCENTRATION

Not available.

III. COMPLEMENTARY ASSISTANCE FROM OTHER SOURCES USED IN AREAS OF CONCENTRATION

(Thousands of dollars)

A. UNDP-administered funds	
SPR	n/a
UNCDF	-
UNSO	-
UNIFEM	-
UNRFNRE	-
UNFSTD	-
Subtotal	-
B. Other United Nations resources	
JCGP participating agencies:	
UNFPA	n/a
WFP	
Other United Nations agencies (non-UNDP financed)	
Global Environment Facility	n/a
Subtotal	-
Total non-core and other United Nations resources	2 402
C. Non-United Nations resources	10 000
TOTAL	12 402

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Annex II

PROGRAMME MATRIX

Fourth country programme for the Czech and Slovak Federal Republic

Selected areas of concentration	Area of focus a/					
	Poverty eradication and grass-roots participation	Environment and natural resource management	Management development	TCDC	Transfer and adaptation of technology	WID
I. RESTRUCTURING AND ASSISTANCE TO THE PRIVATE SECTOR						
Transfer of know-how					*	
Promotion of small and medium-sized enterprises	*					
Support to marketing			*			
II. MANAGEMENT DEVELOPMENT						
Human resources development			*			*
Improvement of management capabilities			*			
Support to management and consulting centres			*	*		
III. ENVIRONMENTAL MANAGEMENT						
Management		*	*			
Data collection		*				
Monitoring systems		*				
IV. TELECOMMUNICATIONS DEVELOPMENT						
Management capabilities			*			
Human resources development			*		*	
V. NATIONAL STATISTICS						
SNA and private sector statistics	*					
Human development statistics						*

a/ Asterisks indicate major linkages only.

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PROGRAMME PLANNING

Country and intercountry programmes and projects

FOURTH COUNTRY PROGRAMME FOR THE CZECH AND SLOVAK FEDERAL REPUBLIC

Note by the Administrator

I. THE PROGRAMMING PROCESS

1. The fourth country programme for the Czech and Slovak Federal Republic was prepared in the context of the historical change that recently took place in the Central and Eastern European region.

2. Czechoslovakia, which had voluntarily relinquished its IPF at the beginning of the fourth cycle, requested to be reinstated in recipient status under net contributor country arrangements in 1990. There was thus no fourth country programme to follow on. The basic lines of the programme were worked out during a series of missions in 1990-1991; at the same time, UNDP's strategy for the European economies in transition was synthesized in a conference room paper presented to the June 1991 session of the Governing Council. Besides the establishment of common thematic thrusts, one main outcome was the agreement to aim for comprehensive programmes co-financed by other key donors. This was reflected in UNDP's advisory note and it is reflected in the present country programme document.

II. ANALYTICAL COMMENTARY ON THE FOURTH COUNTRY PROGRAMME

3. The country programme is closely in line with the recommendations contained in UNDP's advisory note, both as regards the main areas of focus and the implementation aspects. The Government identified six programme areas:

(a) Restructuring of the economy and support for the private sector;

(b) Management development, training and human resources development;

(c) Environmental management;

(d) Telecommunications development;

(e) National statistics;

(f) Umbrella activities.

These areas are linked by the overall objective of furthering human development through transition to a market economy; the most important underlying theme is management development. TCDC and the advancement of women will be given particular attention.

III. MANAGEMENT OF COUNTRY PROGRAMME IMPLEMENTATION

4. As mentioned above, a major aspect of this programme is the proposed combination of UNDP resources with cost-sharing and other co-financing modalities, in order to achieve a meaningful programme with the modest IPF resources at the country's disposal. This objective will be pursued within the framework of a programme approach integrating other technical assistance programmes and UNDP's comparative advantages.

5. National execution is being introduced.

IV. RECOMMENDATION OF THE ADMINISTRATOR

6. On the basis of the above, the Administrator recommends that the Governing Council approve the fourth country programme for the Czech and Slovak Federal Republic.